



INSTALMENTS | SELF FUNDING INSTALMENTS | MINIS | TURBOS | TRADING WARRANTS

## An Introduction to CitiFirst Instalments

Enhance your Exposure to Australia's Blue Chip Shares and Indices with CitiFirst Instalments

For more information and to subscribe to our market newsletter:

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CitiFirst Instalments are an increasingly popular and flexible investment product, for both individuals and Self Managed Super Funds (SMSFs) seeking medium to long-term moderately geared exposure to the performance of shares in Australia's leading companies and indices.

A CitiFirst Instalment provides a convenient investment opportunity for Australian investors and SMSFs. Investors can gain the full economic benefit of share ownership for a fraction of the cost of purchasing the underlying shares outright.

CitiFirst Instalments are listed and traded on the Australian Stock Exchange (ASX).

For Self Managed Super Fund (SMSF) investors, CitiFirst Instalments are one of the few means of gaining leverage in their portfolio.

CitiFirst is the brand name for Citi's suite of investment and trading products.

CitiFirst Opportunity investments in Australia cover a broad selection of ASX listed Warrants including:

- ④ Instalments
- ④ Self Funding Instalments
- ④ MINIs
- ④ Turbos
- ④ Trading Warrants

# An Overview

CitiFirst Instalments offer a straightforward and cost effective way to gain medium- to long-term geared exposure to the performance of shares in Australia's leading companies and indices.

For a fraction of the up-front price of the Underlying Shares, investors benefit from dividends, franking credits and capital appreciation as if they owned the shares outright.

At maturity investors have the flexibility to pay the Final Instalment and receive the Underlying Shares, roll in to another series of CitiFirst Instalments\* or walk away from the investment, receiving the residual value remaining in the investment.

An investment in CitiFirst Instalments will typically involve two separate payments.

The first instalment payment ensures that the investor is the beneficial owner of the underlying shares and therefore retains all dividends and franking credits.

The second and final instalment payment is an agreed and fixed amount that will complete the share purchase. Investors exercise discretion to complete this payment with no obligation.

**CitiFirst Instalments may help investors achieve their investment objectives, particularly for those:**

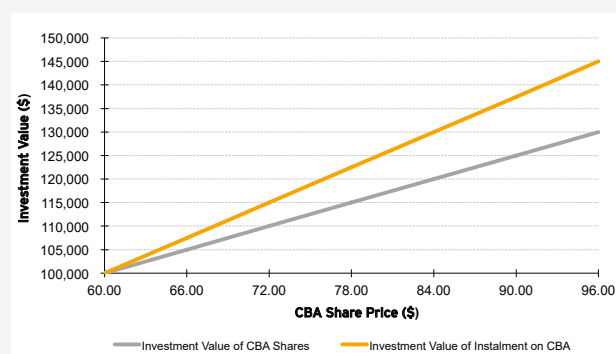
- ④ Looking for exposure to the stock market over the medium- to long-term
- ④ Seeking enhanced dividend yield and franking credits
- ④ Seeking to build long term wealth tax effectively
- ④ Seeking gearing without the risk of a margin call
- ④ Self Managed Super Funds looking for leverage
- ④ Reluctant to sell shares and crystallise capital gains
- ④ Existing shareholders wishing to unlock cash while maintaining exposure to the shares (not available for SMSFs)

\*Roll-Over application is only available to Non-Retail Investors.

## Potentially enhanced returns with CitiFirst Instalments

The following chart illustrates an example of the payout to investors in CBA CitiFirst Instalments against the value of CBA shares.

This chart is intended as an illustration only



\*Assumes linear increase of the stock price over time

\*\*When the market falls, the effect of gearing can result in losses being magnified\*\*

# Key Benefits

CitiFirst Instalments offer individuals and Self Managed Super Funds a number of benefits

## Dividends – Enhanced Yield

During the term of the investment, an Instalment holder is entitled to receive all of the Dividends, and, depending on investor status, any available franking credits paid in relation to the Underlying Shares.

These Dividends are paid to the investor. As investors only pay a fraction of the cost of the Underlying Share upfront, the yield of a CitiFirst Instalment may be significantly greater than that of the Underlying Share.

## Leverage

CitiFirst Instalments are securities that enable the investor to prudently leverage their existing or future shareholdings in leading Australian companies and indices.

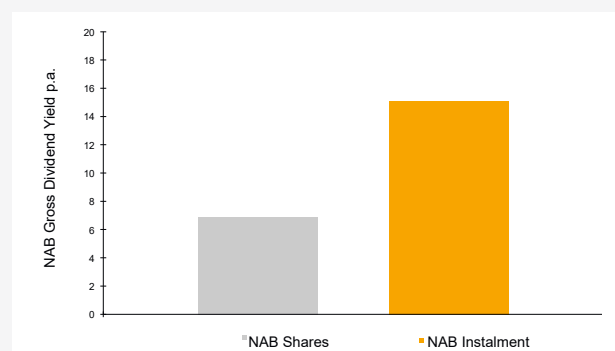
## Potential Tax Efficiency

Depending on investor status, interest expenses and borrowing fees\* related to the purchase of CitiFirst Instalments may be eligible for tax deductions.

## Limited Exposure

By investing in CitiFirst Instalments rather than the Underlying Shares, investors limit their exposure to the cost of the Instalment as the loan is non-recourse, meaning no repayment is required. The cost of the Instalment is a fraction of the price of the Underlying Share.

## Potentially enhanced dividend yield with CitiFirst Instalments



This chart is intended as an illustration only. Dividends are not guaranteed to be paid. Assumes a NAB gross dividend yield of 7.19% p.a.

\*Based on 2022 NAB historical dividend and franking credit.

## Cash Extraction<sup>^</sup>

CitiFirst Instalments can enable existing shareholders (excluding Self Managed Super Funds) to free up their capital for other investments while maintaining exposure to their shares without crystallising a capital gains tax (CGT) liability.

\* From 25 June 2013, Borrowing Fees will be nil.

<sup>^</sup> Shareholder application is only available to Non-Retail Investors.

# Some Advantages of Investing in CitiFirst Instalments

- ④ Lower initial outlay compared to investing directly in underlying shares
- ④ Enhanced dividend yield and franking credits
- ④ Dividends are passed through to investors in the same way as if they owned the underlying shares
- ④ Investors gain leveraged exposure to movements in the share price
- ④ Variable gearing levels and maturities
- ④ Potential tax benefits
- ④ Eligible for Self Managed Super Funds (SMSFs)
- ④ No obligation to pay the Final Instalment
- ④ No margin calls if the share price falls
- ④ Issued over a broad range of blue-chip companies
- ④ Listed and traded on the ASX, offering flexibility and transparency

# Some risks of investing in CitiFirst Instalments

Like any investment that offers the potential for profit there is a corresponding potential for loss. The relevant CitiFirst Instalment product disclosure statement details all risks associated with investing in CitiFirst Instalments. These include, but are not limited to the following:

- ④ CitiFirst Instalments may decrease in value at a greater rate than an investment in the Underlying Shares;
- ④ On the maturity date, your CitiFirst Instalment may be significantly less valuable or may expire worthless.
- ④ Citi has the discretion to adjust the Underlying Shares or the Final Instalment upon the occurrence of certain corporate events.
- ④ Citi may exercise its discretion to declare an Extraordinary Event to amend the terms of issue or fix an early Maturity Date.
- ④ The current Australian regulatory environment and any legislative, tax or regulatory changes may impact on a Holder of CitiFirst Instalments.

Potential investors should reach an investment decision only after carefully considering, with their advisors, the suitability of CitiFirst Instalments in light of their particular circumstances, taking in to account the risk factors relating to the CitiFirst Instalments mentioned in the FAQ and detailed in full in the Product Disclosure Statement.

# How do CitiFirst Instalments work?

CitiFirst Instalments enable investors to purchase shares by making two separate payments.

## 1. First Instalment

For Cash Applicants and those purchasing via the ASX, this is the purchase price. It is variable, and fluctuates depending on the price of the Underlying Share, volatility, time to maturity and prevailing interest rates.

The table on the right illustrates the effect that these factors have on the price of a CitiFirst Instalment.

For Shareholder and Rollover Applicants, their existing shareholdings represent the First Instalment.

The price of the First Instalment is typically between 40–60% of the Underlying Share price

Pricing Factor	Change in Pricing Factor	Change in Instalment Price
<b>Underlying Parcel Price</b>	↑	↑
<b>Time to Maturity</b>	↓	↓
<b>Interest Rate</b>	↑	↑
<b>Volatility of Share</b>	↑	↑
<b>Dividends</b>	↓	↓

## 2. Final Instalment

The Final Instalment is the loan amount, which is fixed for the term of the investment. Investors have the right to pay the Final Instalment at any time up to maturity to complete the purchase of the underlying security.

It is also important to note that the loan extended to the investor is non-recourse and the payment of the Final Instalment is therefore at the discretion of the investor.

# How do I buy CitiFirst Instalments?

There are a variety of simple ways to buy CitiFirst Instalments.

## 1. Purchase on-market

CitiFirst Instalments are listed and traded on the ASX. Like shares, they can be bought and sold via an approved broker, financial advisor or directly via an online broker. (Instalments/SFIs) are characterised as a Warrant, and most brokers will require some additional documentation before you are able to trade. This may differ depending on the broker, but will generally include completing the ASX-required 'Warrant Client Agreement Form'. For further information speak to your broker or contact the CitiFirst Warrants Sales Desk on 1300 30 70 70.

## 2. Purchasing with Cash

### Cash Application

Apply for CitiFirst Instalments by completing a Cash Application Form attached to the Product Disclosure Statement (PDS) and submitting it with payment to a stockbroker or approved financial advisor. The minimum investment amount is \$2,000.

## 3 Existing Shareholders

### Shareholder Application

Convert current shareholdings to CitiFirst Instalments by completing the Shareholder Application Form attached to the PDS and submitting it to a stockbroker, approved financial advisor or directly to CitiFirst Warrants. Self Managed Super Funds are unable to apply for Instalments via a shareholder application.

## 4. Existing Instalment Holders

### Roll-Over Application\*

At maturity, investors can roll over a current series of Instalments into a new series by completing the Rollover Application form attached to the PDS and submitting it to a stockbroker, approved financial advisor or directly to CitiFirst Warrants.

### How do I recognise a CitiFirst Instalment?

All CitiFirst Instalments have a six letter ASX code:

**CBAIOA**

**A** = indicates the Instalment Series

**O** = indicates the Issuer is Citigroup

**I** = indicates that this is an Instalment

**CBA** = underlying share

\*Roll-Over application is only available to Non-Retail Investors.

# Ease of Trading

CitiFirst Instalments are listed on the ASX for transparency. They can also be traded on the ASX any time during market opening hours via a broker.

## What happens at Maturity?

CitiFirst instalment holders will be sent an expiry notice prior to the CitiFirst Instalment reaching maturity. There are then a number of options of how to proceed:

- ④ Paying the Final Instalment and taking full ownership of the Underlying Shares.
- ④ Deferring the Final Instalment for another term by rolling into another series of CitiFirst Instalments (this does not crystallise any capital gain)\*.
- ④ Selling the Underlying Shares to the Issuer and receiving the Market Value less the Final Instalment and costs.
- ④ Do nothing. If the Underlying Shares are trading above the Final Instalment at expiry, Citi will pay the instalment holder the difference between the market value of the Underlying Shares and the Final Instalment less costs.

## Product Range

There are over 300 CitiFirst Instalments on issue covering a majority of the top 50 shares in the Australian market. Citi also offers Instalments linked to a number of Index trackers and iShares®.

There are a wide range of gearing levels and expiries available in order to suit all levels of investor risk and maturity preferences.

## Monitoring the Performance of CitiFirst Instalments

CitiFirst Instalment prices can be found in most daily newspapers, on financial websites or on our CitiFirst website **[www.citifirst.com.au](http://www.citifirst.com.au)**

The register of holdings of CitiFirst Instalments is held by Computershare Investor Services. Information is available online in the 'Investors' section at **[www.computershare.com.au](http://www.computershare.com.au)** or contact Computershare directly on **1300 364 060**.

\*Roll-Over application is only available to Non-Retail Investors.



# CitiFirst Instalments: Strategies to Consider

Please note this case study is general in nature and does not take in to account specific taxation or personal circumstances. Investors should not rely on the information and should obtain specific advice before investing in this product.

## Strategy 1 - Building an Investment Portfolio in Self Managed Super Funds

Sue has \$50,000 to invest in her Self Managed Super Fund\* and is undecided whether to purchase NAB shares or CitiFirst Instalments linked to NAB.

On 9<sup>th</sup> January 2023 NAB was trading at \$30.00, while the NABIOU was trading at \$14.00. Sue wants to maximise her exposure to NAB shares, whilst receiving dividends and franking credits directly.

The table on the right compares the dividend income yield of an investment in NAB shares versus NAB CitiFirst Instalments.

If Sue invests her \$50,000 in NAB shares she will only be able to purchase 1,666 shares. Alternatively, an investment in CitiFirst Instalments allows her to gain exposure to 3,571 NAB shares via a CitiFirst Instalment. By purchasing the CitiFirst Instalment Sue's grossed dividend yield will be over 15%. These dividends will be paid directly through to her.

At any time until maturity, Sue can sell her NAB CitiFirst Instalments on the ASX or pay the Final Instalment and receive the Underlying Shares.

\* \* Please note there may be tax implications surrounding additional contributions to SMSFs. Investors should consult their tax advisor prior to investing.

	Shares	CitiFirst Instalment
<b>ASX Code</b>	NAB	NABIOU
<b>Amount Invested</b>	\$50,000	\$50,000
<b>Purchase Price</b>	\$30.00	\$14.00
<b>Final Instalment</b>	n/a	\$18.00
<b>No. Purchased</b>	1,666	3,571
<b>Historical Div for 2022*</b>	\$1.51	\$1.51
<b>Franking @ 100%*</b>	\$0.647	\$0.647
<b>Total Grossed up Dividend</b>	\$2.157	\$2.157
<b>Gross Dividend Yield</b>	7.19%	15.41%

\*Based on 2022 NAB historical dividend and franking credit.

## Strategy 2 – Convert existing shares into CitiFirst Instalments to extract cash

Strategy 2 – Convert existing shares into CitiFirst Instalments to extract cash

Ted purchased \$20,000 worth of BHP shares in 2016. At the time of purchase BHP shares were trading at \$15.00, hence Ted owns 1,333 BHP shares.

In January 2023, BHP shares were trading at \$47.00, representing a capital appreciation on Ted's BHP investment of 214% and a potential capital gains liability of \$42,656 if he sold the shares.

Ted would like to free up some of the capital locked up in his shares in order to diversify his portfolio, without crystallising any capital gains.

However, Ted wants to retain exposure to his BHP shares. A cash extraction strategy may enable Ted to execute this. Potential cash back details are shown in the table on the right.

By converting his 1,333 shares in to 1,333 BHPIOU Instalments, Ted receives a cashback amount of \$34,658 (based on a BHP share price of \$47.00) which can be used to further diversify his portfolio, while maintaining his exposure to BHP.

There is no change in beneficial ownership of Ted's BHP shares, they will simply be held in trust on his behalf. As a result, Ted has not crystallised any capital gains. Ted continues to receive dividends and franking credits while benefiting from capital appreciation.

Please note that this strategy cannot be used for self managed super funds.

<b>ASX Code</b>	BHPIOU
<b>CitiFirst Instalment Price</b>	\$21.00
<b>Final Instalment</b>	\$28.50
<b>BHP Share Price</b>	\$47.00
<b>Cashback / Instalment</b>	\$26.00
<b>Maturity Date</b>	Mar-25
<b>BHP shares converted to BHPIOU</b>	1,333
<b>Ted's cashback amount</b>	\$34,658



# Frequently asked questions

## Which underlyings are CitiFirst Instalments linked to?

CitiFirst Instalments are issued over a range of underlying securities from the top 100 blue chips, Listed Property Trusts (LPTs) and Exchange Traded Funds (ETFs).

## How can investors view the price of Instalments?

CitiFirst Instalments are listed on ASX. Investors are able to obtain prices anytime during normal ASX market hours. Indicative levels are also available from our website [www.citifirst.com.au](http://www.citifirst.com.au)

## How can investors buy and sell CitiFirst Instalments?

**Buying** - Investors can purchase CitiFirst Instalments directly from Citi by completing the Cash Application form available in the Product Disclosure Statement (PDS). Alternatively investors can purchase CitiFirst Instalments on the ASX integrated trading system (ITS) via their broker.

**Selling** - Investors can sell CitiFirst Instalments on market through their broker on the ASX ITS platform.

## Do I need to make yearly payments?

Apart from the Initial Payment, investors will not be required to make further payments at any time. Only investors wishing to exercise CitiFirst Instalments will be required to make a Final Payment to receive the underlying security.

## Will investors receive annual tax statements?

Yearly financial statements detailing income (dividend and franking credits) and interest costs will be sent to CitiFirst Instalment investors.

### Can investors repay the loan amount at any time?

Yes, investors are able to repay the outstanding loan amount at any time prior to expiry of a Citi Instalment.

### What are some of the risks I should consider before purchasing CitiFirst Instalments?

Like any investment that offers the potential for profit there is a corresponding potential for loss. The relevant Citi Instalment product disclosure document details all risks associated with investing in Citi Instalment. These include, but are not limited to the following:

- ④ CitiFirst Instalments may decrease in value at a greater rate than an investment in the Underlying Shares;
- ④ The price of CitiFirst Instalments is dependent on such factors as the price of the Underlying Shares, the amount of the Final Instalment, the time remaining to expiry and general market risks
- ④ Possible market illiquidity
- ④ Legislative and tax risks

Investors should read the relevant Product Disclosure Statement (PDS) which details all risks associated with CitiFirst Instalments. Investors should also consult their stockbroker or financial adviser to ascertain the suitability of specific investments as part of their particular investment strategy.

# Disclaimer

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# Citi and CitiFirst

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CitiFirst is a full-service model for Citi's offering of structured investments. These can be designed to suit all levels of risk appetite across the full range of asset classes, utilising various issuance solutions and product wrappers, to satisfy any investment objective.

To learn more about CitiFirst, log onto [www.citifirst.com.au](http://www.citifirst.com.au). This exclusive website offers access to CitiFirst products, analytics and educational resources.

See [www.citifirst.com.au](http://www.citifirst.com.au) for more information about Citi.

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